Industry Canada Industrie Canada

Small Business and Tourism Branch

Key Small Business Statistics

July 2010

www.ic.gc.ca/sbstatistics

Canada

For additional copies of this publication, please contact:

Publishing and Depository Services
Public Works and Government Services Canada
Ottawa ON K1A 0S5

Telephone (toll-free): 1-800-635-7943 (Canada and U.S.)
Telephone (local): 613-941-5995
TTY: 1-800-465-7735
Fax (toll-free): 1-800-565-7757 (Canada and U.S.)
Fax (local): 613-954-5779
Email: publications@tpsgc-pwgsc.gc.ca
Website: www.publications.gc.ca

This publication is available upon request in accessible formats. Contact:

Multimedia Services Section
Communications and Marketing Branch
Industry Canada
Room 441E, East Tower
235 Queen Street
Ottawa ON K1A 0H5

Telephone: 613-995-8552
Fax: 613-954-6436
Email: production.multimedia@ic.gc.ca

This publication is also available online at www.ic.gc.ca/sbstatistics.

Permission to Reproduce
Except as otherwise specifically noted, the information in this publication may be reproduced, in part or in whole and by any means, without charge or further permission from Industry Canada, provided that due diligence is exercised in ensuring the accuracy of the information reproduced; that Industry Canada is identified as the source institution; and that the reproduction is not represented as an official version of the information reproduced, nor as having been made in affiliation with, or with the endorsement of, Industry Canada.

For permission to reproduce the information in this publication for commercial redistribution, please email droitdauteur.copyright@tpsgc-pwgsc.gc.ca.

Cat. No. Iu186-1/2010-2E-PDF
ISSN 1718-3456
608803

Aussi offert en français sous le titre *Principales statistiques relatives aux petites entreprises*.

Table of Contents

2 Foreword

3 Highlights

Number of Businesses

5 When is a business "small"?

6 How many businesses are there in Canada?

Survival

12 How many businesses appear and disappear each year?

14 *Bankruptcy statistics*

14 How long do small businesses survive?

17 *Small and Medium-Sized Enterprises Data Warehouse*

Employment and Earnings

18 How many people work for small businesses?

21 How many jobs do small businesses create?

26 How much do employees of small businesses earn?

Contribution to GDP

29 What is the contribution of small businesses to Canada's gross domestic product?

Self-Employment

31 Who is self-employed?

31 How many people are self-employed?

35 How has self-employment contributed to job creation?

36 Do the self-employed work longer hours than employees?

Women in Business

38 How many small business entrepreneurs are women?

Innovation and Technology

40 Do small businesses innovate as much as large firms?

43 How many small businesses use e-business?

Exports

45 What is the contribution of small businesses to Canada's exports?

Foreword

Key Small Business Statistics is a semi-annual publication that provides baseline data on the small business sector in Canada. This fifteenth edition updates data found in previous editions. The following sections have been updated with new data:

- How many businesses are there in Canada?
- *Bankruptcy statistics*
- How many people work for small businesses?
- How many jobs do small businesses create?
- How much do employees of small businesses earn?
- What is the contribution of small businesses to Canada's gross domestic product?
- How many people are self-employed?
- How has self-employment contributed to job creation?
- Do the self-employed work longer hours than employees?

One new section has been added:

- What is the contribution of small businesses to Canada's exports?

This new edition and previous publications are available on the Small Business Research and Policy website: www.ic.gc.ca/sbresearch.

Highlights

Industry Canada's definition of "small business" is firms that have fewer than 100 employees.

Number of Businesses

- There are just over 1 million small businesses in Canada that have employees (excludes self-employed entrepreneurs). Ninety-eight percent of businesses in Canada have fewer than 100 employees.
- Between 2002 and 2006, 130 000 new small businesses, on average, were created in Canada each year.

Contribution to Gross Domestic Product (GDP)

- Small businesses that have fewer than 50 employees contribute about 29 percent to Canada's GDP.

Employment

- As of 2009, small businesses employed approximately 5 million individuals in Canada, or 48 percent of the total labour force in the private sector.
- Small businesses shed about 140 000 jobs in 2009, accounting for about 40 percent of all jobs lost in the private sector in Canada. However, over the 1999 to 2009 period, small firms accounted for 37 percent of all jobs created, on average, in the private sector.
- Approximately 16 percent of all employed workers in the Canadian economy in 2009 were self-employed.

Earnings

- On average, small business employees in Canada earned around $723 per week in 2009, less than the overall average of $799.

Sectoral Breakdowns

- Small businesses account for over two thirds of employment in five Canadian industry categories: non-institutional health care, construction, accommodation and food, forestry and other services.
- Roughly 25 percent of small businesses operate in Canadian goods-producing industries; the remaining 75 percent operate in service industries.

Survival

- Survival rates for small businesses in Canada decline over time. About 96 percent of small businesses (1–99 employees) that enter the marketplace survive for one full year, 85 percent survive for three years and 70 percent survive for five years.
- The number of business bankruptcies in Canada fell by more than 50 percent since 1997 to about 6700 in 2009.

Women in Business

- It is estimated that 46 percent of small and medium-sized enterprises (SMEs) have some degree of female ownership: 16 percent of SMEs are majority-owned by women, 19 percent are owned in equal partnerships between male and female owners, and 11 percent of SMEs have a minority female ownership.

Research and Development

- In 2005, small businesses in Canada spent close to $4 billion on research and development (R&D).
- Among firms performing R&D, small businesses in Canada spend significantly more as a percentage of their revenue than larger firms.

E-Commerce

- The overall rate of Canadian firms selling online was 8 percent in 2007, while the overall rate of firms buying online was 48 percent. In both categories, small firms lagged behind large firms. Only 7 percent of small firms sold online compared with 22 percent of large firms. Similarly, online purchases were conducted by 45 percent of small firms, well below the 74 percent of large firms purchasing online.

Exports

- Nearly 87 percent of Canadian exporters were small businesses. Small businesses are responsible for $84 billion, or about 21 percent of Canada's total value, of exports.
- Over 57 000 small businesses (or 5 percent of the total number of small businesses) in Canada export.

When is a business "small"?

The size of a business can be defined in many ways, by the value of its annual sales or shipments, for example, or by its annual gross or net revenue, the size of its assets or the number of its employees.

Many institutions define small businesses according to their own needs — the Canadian Bankers Association classifies a company as "small" if it qualifies for a loan authorization of less than $250 000, whereas the Export Development Corporation defines small or "emerging" exporters as firms with export sales under $1 million. In some instances, Industry Canada has used a definition based on the number of employees, which varies according to the sector — goods-producing firms are considered "small" if they have fewer than 100 employees, whereas for service-producing firms the cut-off point is 50 employees. Above that size, and up to 499 employees, a firm is considered medium-sized. The smallest of small businesses are called micro-enterprises, most often defined as having fewer than five employees. The term "SME" (for small and medium-sized enterprise) refers to all businesses with fewer than 500 employees, whereas firms with 500 or more employees are classified as "large" businesses.

As will be seen, in practice, reporting on small businesses seldom adheres to any strict definition due to data limitations.

How many businesses are there in Canada?

Statistics Canada's Business Register maintains a count of business establishments[1] and publishes results twice a year. Business establishments can belong to the same company; each company owns at least one business establishment. For an individual business establishment to be included in the Business Register, the company to which it belongs must meet at least one of the following minimum criteria: it must have at least one paid employee (with payroll deductions remitted to the Canada Revenue Agency (CRA)), it must have annual sales revenues of $30 000, or it must be incorporated and have filed a federal corporate income tax return at least once in the previous three years.

As of December 2009, there were about 2.4 million business establishments[2] in Canada, as shown in Table 1, compared with 2.3 million establishments in June 2009. About half of all business establishments are called "employer businesses" because they maintain a payroll of at least one person (possibly the owner). The other half are classified as "indeterminate" because they do not have any employees registered with the CRA. Such businesses may indeed have no workforce (they may simply be paper entities that nonetheless meet one of the criteria for recognition as a business establishment) or they may have contract workers, family members and/or only the owners working for them. The "indeterminate" category was created because information about their workforce is not available.

---

1 Statistics Canada uses four standard business units for purposes of compiling statistics. Establishments are the smallest unit/grouping for which data are published. Establishments must:

a) produce a homogeneous set of goods or services;

b) not cross provincial boundaries; and

c) provide data on the value of output together with the cost of principal intermediate inputs used, along with the cost and quantity of labour resources used to produce the output.

For example, a business unit of a larger enterprise that provides independent accounting information to the government on sales taxes and payroll deductions would be recognized as an individual business establishment.

2 This number includes both commercial and non-commercial business establishments.

Table 1: Total Number of Business Establishments, and Number of Establishments Relative to Provincial/Territorial Population and Gross Domestic Product, December 2009

Provinces/Territories	No. of Business Establishments			No. of Establishments per 1000 Population	GDP per Business Establishment ($ thousands)
	Total	Employer Businesses	Indeterminate[1]		
Newfoundland and Labrador	26 333	17 913	8 420	51.6	1 188
Prince Edward Island	10 397	6 131	4 266	73.6	445
Nova Scotia	54 509	31 556	22 953	57.9	627
New Brunswick	42 591	26 612	15 979	56.7	643
Quebec	474 308	247 340	226 968	60.3	637
Ontario	868 951	394 683	494 268	67.7	661
Manitoba	77 288	36 833	40 455	62.9	658
Saskatchewan	94 909	39 404	55 505	91.4	669
Alberta	341 502	157 171	184 331	92.0	853
British Columbia	362 665	176 124	186 541	80.7	546
Yukon Territory	2 881	1 635	1 246	84.8	661
Northwest Territories	2 630	1 670	960	60.8	1 940
Nunavut	834	609	225	25.6	1 921
Canada Total	2 379 798	1 137 681	1 242 117	70.1	672

Source: Statistics Canada, Business Register, December 2009; National Income and Expenditure Accounts 2008; Estimates of Population by Age and Gender for Canada, the Provinces and the Territories, January 2010.

Note 1: The "indeterminate" category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

Fifty-seven percent of all business establishments in Canada are located in Ontario and Quebec. Virtually all the rest are divided between the western provinces (37 percent) and the Atlantic provinces (6 percent). The Northwest Territories, Yukon and Nunavut represent only 0.3 percent of Canada's businesses.

Relative to population, the western provinces, Yukon and Prince Edward Island have more business establishments than elsewhere, with the highest rates in Alberta and Saskatchewan at 92.0 and 91.4 per 1000 population respectively. Nunavut, Newfoundland and Labrador, New Brunswick and Nova Scotia have the lowest ratios of business establishments per 1000 population. Ontario and Quebec are below the national average of 70.1, with 67.7 and 60.3 business establishments per 1000 population respectively.

In terms of gross domestic product (GDP) per business establishment by province, the Northwest Territories shows the highest ratio at $1 940 000 per establishment. (This is likely due, in part, to the low number of establishments per 1000 residents; therefore, its GDP is

spread over fewer establishments.) More broadly, there is a noticeable negative relationship between the number of establishments per 1000 inhabitants and contribution to GDP per establishment in that a higher number of establishments per 1000 population corresponds to a lower GDP per establishment. Alberta is an exception to this rule, with a relatively high GDP per establishment as well as a high number of establishments per 1000 residents.

Of the 1 137 681 employer businesses, 2768 (about 0.3 percent) have 500 employees or more, 1 114 915 employer businesses (98 percent) have fewer than 100 employees, 75 percent have fewer than 10 employees and 55 percent have only 1 to 4 employees (see Table 2).

Table 2: Number of Business Establishments by Sector and Firm Size (Number of Employees), December 2009

Number of Employees	Cumulative Percent of Employer Businesses	No. of Business Establishments		
		Total	Goods-Producing Sector[2]	Service-Producing Sector[2]
Indeterminate[1]		1 242 117	306 636	935 481
Employer Business Total	*100.0*	*1 137 681*	*243 148*	*894 533*
1–4	54.4	618 959	136 607	482 352
5–9	74.9	233 362	47 687	185 675
10–19	87.3	141 154	27 547	113 607
20–49	95.4	91 983	18 745	73 238
50–99	98.0	29 457	6 830	22 627
100–199	99.2	13 337	3 452	9 885
200–499	99.8	6 661	1 755	4 906
500+	100.0	2 768	525	2 243
Grand Total		2 379 798	549 784	1 830 014

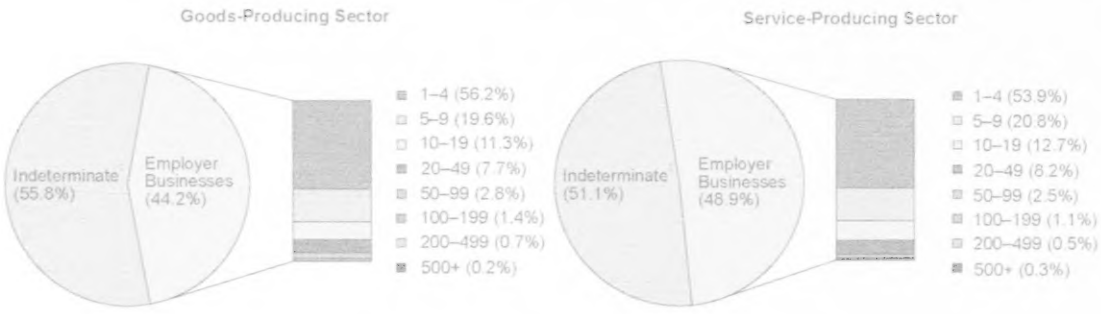
Source: Statistics Canada, Business Register, December 2009.

Note 1: The "indeterminate" category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

About one quarter of all business establishments (indeterminate and employer businesses alike) produce goods, whereas the remainder provide services. Small firms (those with fewer than 100 employees) make up 98 percent of goods-producing employer businesses and 98 percent of all service-producing employer businesses (Table 2 and Figure 1). Using an alternative definition of small businesses in the service-producing sector that defines small businesses as those with fewer than 50 employees, small firms account for 95 percent of all service-producing employer firms.

Figure 1: Distribution of Business Establishments in the Goods-Producing and Service-Producing Sectors by Firm Size (Number of Employees), December 2009



Source: Statistics Canada, Business Register, December 2009.

Note 1: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

Note 2: The "indeterminate" category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

Table 3 shows the distribution of employer businesses by size of business establishment in each province and territory. Generally speaking, the distribution by size in the provinces is similar to the national average distribution by size. However, there is some variation among the provinces and territories; for example, there is a higher percentage of micro-enterprises (1 to 4 employees) in Alberta (59 percent) and British Columbia (56 percent) than in Ontario (55 percent), Quebec (51 percent) or the territories (from 25 percent to 50 percent).

Table 3: Employer Businesses by Firm Size (Number of Employees) in the Provinces and Territories, December 2009

Provinces/ Territories	Employer Businesses										
	Total	Percent of Total									
		1–4	5–9	10–19	20–49	50–99	*Small (<100)*	100–199	200–499	*Medium (100–499)*	Large (500+)
Newfoundland and Labrador	17 913	55.4	22.7	11.5	6.8	2.0	*98.4*	0.9	0.5	*1.4*	0.2
Prince Edward Island	6 131	50.9	23.5	13.4	8.3	2.4	*98.5*	0.9	0.5	*1.3*	0.2
Nova Scotia	31 556	54.0	21.2	12.4	8.0	2.4	*98.0*	1.2	0.5	*1.8*	0.2
New Brunswick	26 612	53.9	21.4	12.7	7.9	2.4	*98.2*	1.1	0.5	*1.6*	0.2
Quebec	247 340	50.7	22.6	13.2	8.8	2.7	*98.1*	1.1	0.5	*1.7*	0.2
Ontario	394 683	54.8	19.8	12.2	8.1	2.7	*97.7*	1.4	0.7	*2.1*	0.3
Manitoba	36 833	49.5	21.8	14.0	9.4	3.0	*97.7*	1.2	0.7	*1.9*	0.3
Saskatchewan	39 404	55.0	20.8	12.7	7.8	2.2	*98.5*	0.9	0.5	*1.3*	0.2
Alberta	157 171	58.8	18.2	11.3	7.4	2.4	*98.2*	1.1	0.6	*1.6*	0.2
British Columbia	176 124	56.3	20.3	12.1	7.4	2.3	*98.4*	1.0	0.5	*1.4*	0.2
Yukon Territory	1 635	50.2	23.2	13.5	8.8	2.0	*97.6*	1.3	0.8	*2.1*	0.2
Northwest Territories	1 670	35.1	24.8	19.5	13.4	4.1	*96.9*	2.2	0.7	*2.9*	0.2
Nunavut	609	25.5	23.8	22.3	17.9	7.1	*96.6*	2.8	0.5	*3.3*	0.2
Canada Total	1 137 681	54.4	20.5	12.4	8.1	2.6	*98.0*	1.2	0.6	*1.8*	0.2

Source: Statistics Canada, Business Register, December 2009.

Table 4 presents the distribution of employer businesses by size of business establishment in each industry. The greatest variation across industries is found among micro-enterprises. The highest percentage of micro-industries is in professional, scientific and technical services (74.5 percent) and in agriculture, forestry, fishing and hunting (71.6 percent). The lowest percentages of micro-enterprises are found in public administration (20.4 percent), accommodation and food services (27.9 percent), and utilities (34.0 percent).

Table 4: Employer Businesses by Firm Size (Number of Employees) in Industries, December 2009

Industry (Ranked by number of employer businesses)	Employer Businesses										
	Total	Percent of Total									
		1–4	5–9	10–19	20–49	50–99	*Small (<100)*	100–199	200–499	*Medium (100–499)*	Large (500+)
Retail Trade	145 993	37.0	31.9	17.5	8.6	2.9	*98.0*	1.5	0.5	*2.0*	0.0
Other Services	132 618	70.3	18.0	7.4	3.2	0.7	*99.6*	0.3	0.1	*0.4*	0.0
Construction	125 [illegible]	59.8	21.3	10.4	6.0	1.6	*99.1*	0.6	0.2	*0.9*	0.1
Professional, Scientific and Technical Services	124 570	74.5	12.4	7.0	4.0	1.2	*99.1*	0.6	0.3	*0.8*	0.1
Health Care and Social Assistance	93 747	53.7	21.7	12.9	6.9	2.3	*97.5*	1.4	0.8	*2.1*	0.4
Accommodation and Food Services	74 680	27.9	23.8	23.0	17.8	5.9	*98.3*	1.2	0.4	*1.6*	0.1
Wholesale Trade	65 841	45.3	24.0	16.1	10.2	2.9	*98.5*	1.1	0.4	*1.5*	0.1
Manufacturing	55 779	34.6	20.5	16.5	14.8	6.8	*93.2*	4.0	2.2	*6.2*	0.6
Administration, Waste Management	52 355	52.7	22.0	11.9	7.7	3.1	*97.3*	1.5	0.9	*2.4*	0.3
Transportation and Warehousing	52 115	65.1	14.5	9.2	7.0	2.3	*98.1*	1.0	0.7	*1.7*	0.2
Agriculture, Forestry, Fishing and Hunting	50 362	71.6	15.6	7.5	3.8	1.0	*99.5*	0.3	0.1	*0.5*	0.0
Real Estate and Rental and Leasing	42 558	65.1	18.5	9.7	4.7	1.2	*99.2*	0.5	0.2	*0.7*	0.1
Finance and Insurance	42 122	49.1	15.6	13.1	17.9	2.1	*97.9*	1.0	0.7	*1.6*	0.4
Arts, Entertainment and Recreation	17 413	45.6	21.5	14.2	11.5	4.1	*96.9*	2.0	0.8	*2.8*	0.3
Management of Companies and Enterprises	15 815	58.1	15.3	9.5	8.2	3.9	*95.0*	2.1	1.7	*3.9*	1.2
Information and Cultural Industries	14 055	51.2	17.0	12.5	11.2	3.8	*95.8*	2.3	1.2	*3.5*	0.7
Educational Services	12 624	43.4	19.6	14.7	11.2	4.0	*92.9*	1.9	1.7	*3.7*	3.4
Mining, Quarrying, and Oil and Gas Extraction	10 378	56.6	14.4	12.2	9.4	3.8	*96.4*	1.9	1.1	*3.1*	0.5
Public Administration	8 027	20.4	17.6	16.4	18.5	9.9	*82.9*	7.6	5.3	*12.9*	4.2
Utilities	1 391	34.0	18.5	17.3	12.3	7.3	*89.4*	4.5	3.3	*7.8*	2.9
Total	1 137 681	54.4	20.5	12.4	8.1	2.6	*98.0*	1.2	0.6	*1.8*	0.2

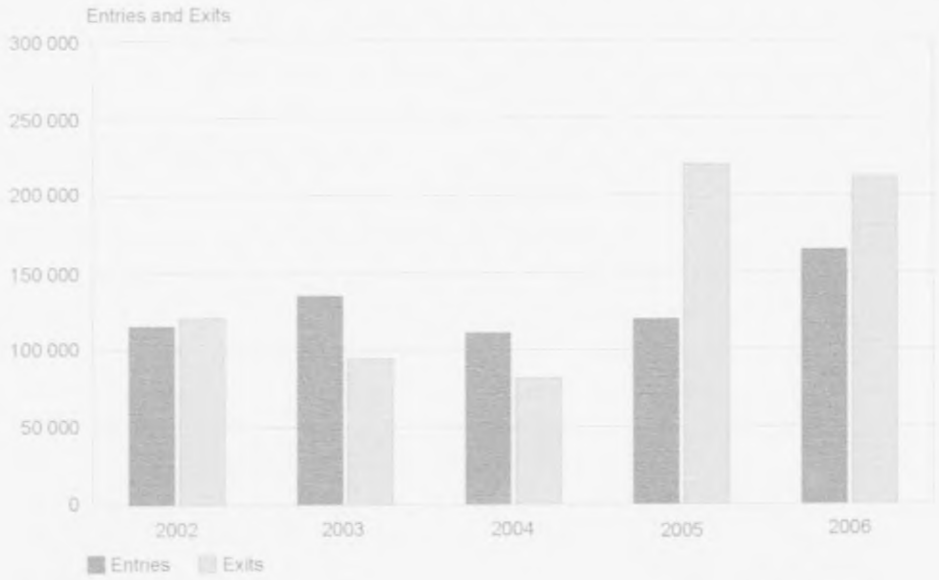
Source: Statistics Canada, Business Register, December 2009

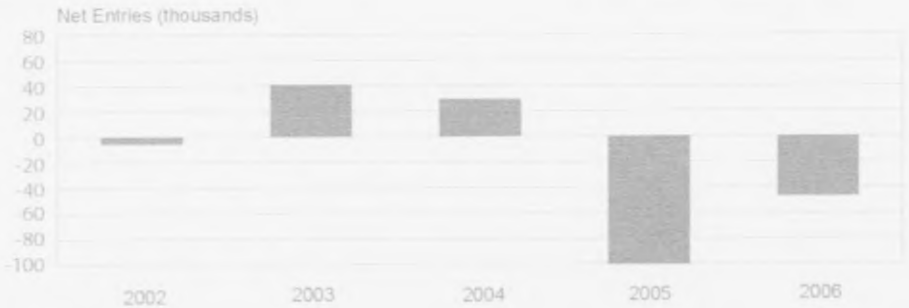
How many businesses appear and disappear each year?

Thousands of businesses enter and exit the marketplace throughout the year. Keeping track of these births and deaths is no easy matter. In July 2008, Statistics Canada made available data on SMEs in Canada through the Small and Medium-Sized Enterprises Data Warehouse (SMEs Data Warehouse).

Figure 2 shows the number of small businesses (those with fewer than 100 employees) that entered and exited the marketplace annually between 2002 and 2006. Over this period, 130 000 new small businesses, on average, were created in Canada each year. There was no clear pattern of business entries over the period. In 2002, there were approximately 115 000 entries, increasing to 135 000 in 2003 and falling back to 111 000 in 2004. In 2006, the number of entries attained a peak of 164 000, representing 45 000 more new businesses over 2005. The number of exits decreased gradually from approximately 120 000 in 2002 to 82 000 in 2004. In the following two years, the number of exits grew to more than 200 000. On a net basis, there was a positive number of entries in only two years of the study period: 2003 and 2004. In 2005, there were about 100 000 net exits. This high number of exits is mainly due to increases in exits among businesses with revenues under $30 000 (these were not considered in previous editions of *Key Small Business Statistics*), as well as exits in the construction industry, retail trade, and professional, scientific and technical services. Together, they represented about 80 percent of all exits in 2005.

Figure 2: Entries and Exits of Small Businesses with up to 100 Employees, 2002 to 2006





Source: Statistics Canada, Small and Medium-Sized Enterprises Data Warehouse, July 2008.

Bankruptcy statistics

Only a small proportion of firms that exit the marketplace end up filing for bankruptcy. On average over the last 18 years, there have been approximately 12 000 business bankruptcies per year in Canada. In the 1990s, they gradually increased from about 11 000 to a peak of more than 14 000 in 1997. Since then, business bankruptcies have been on the decline, to about 6700 in 2009.

More detailed statistics on business bankruptcies and the liabilities involved are regularly reported in Industry Canada's *Small Business Quarterly* (www.ic.gc.ca/SMEquarterly) and are also available on the website of the Office of the Superintendent of Bankruptcy at http://www.osb.ic.gc.ca.

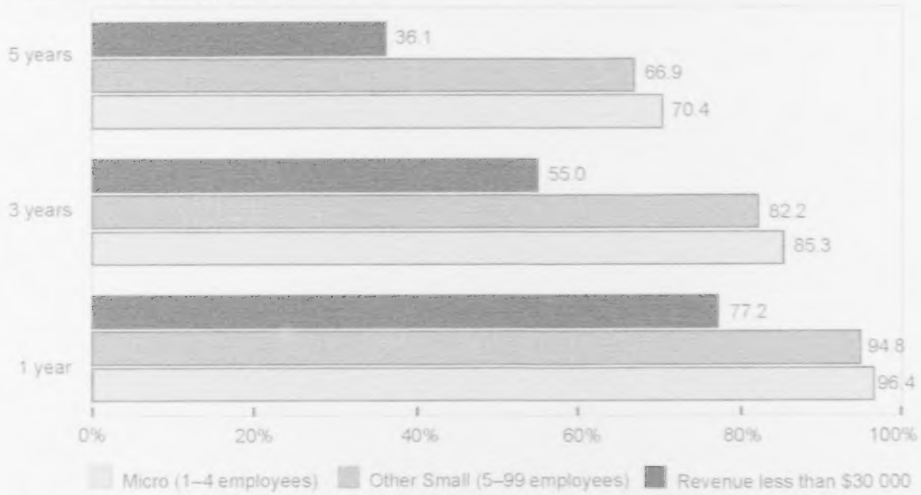
How long do small businesses survive?

One way to answer the question of how long small businesses are likely to survive is to determine the probability of survival based on predictable factors. Geographic location, type of industry, size and age are some useful factors in predicting how long a business stays active. Other, unforeseen, factors can also affect the survival of a business, including general economic conditions, as well as market influences such as the number and size of competitors and new entrants.

Survival is defined as the percentage of new firms that continue to operate when they reach a given age. Survival rates for small businesses in Canada decline over time. About 96 percent of small businesses (1–99 employees) that enter the marketplace survive for one full year, 85 percent survive for three years and 70 percent survive for five years.

Figure 3 presents survival rates for the 2001 cohort of start-ups that are micro-enterprises (those with 1 to 4 employees), other small businesses (those with between 5 and 99 employees) and those with revenues of less than $30 000. Figure 3 shows that slightly more micro-enterprises survived in comparison with other small businesses. For example, 96.4 percent of micro-enterprises that entered in 2001 survived for one year, whereas 94.8 percent of other small businesses that entered in 2001 survived for one year. The gap in survival rates between the two categories almost doubles, however, as the number of years in business increases. In fact, 85.3 percent of micro-enterprises created in 2001 survived for three years, whereas 82.2 percent of other small businesses created in 2001 survived for three years.

Figure 3: Survival Rates of Micro-Enterprises and Other Small Businesses (Employer Businesses Only), 2001–2006



Source: Statistics Canada, Small and Medium-Sized Enterprises Data Warehouse, July 2008.

The percentage of new firms that remain in business declines steadily for both categories over the five-year period observed. After five years in business, 70.4 percent of micro-enterprises survived compared with 66.9 percent of other small businesses.

Survival rates of businesses with revenues of less than $30 000 are significantly lower than those observed for businesses with revenues of more than $30 000. Of those businesses with revenues of less than $30 000 that started in 2001, 55.0 percent survived after three years and only 36.1 percent survived after five years.

Data sources and methodology

Statistics Canada's SMEs Data Warehouse[3] provides information on general business demographic statistics, including business counts, employment and revenue by industry, size and geography.

In previous editions of *Key Small Business Statistics*, exit and entry figures were derived through special tabulations of data from the *Longitudinal Employment Analysis Program* (LEAP). There are a few differences between LEAP and SMEs Data Warehouse methodologies that underpin the figures in this publication and previous editions. First, the count of the number of businesses differs. LEAP counts business enterprises rather than establishments, which is the approach taken in the SMEs Data Warehouse, suggesting that the SMEs Data Warehouse includes considerably more firms than LEAP. For example, several establishments in SMEs Data Warehouse can be part of only one enterprise in LEAP. Moreover, SMEs Data Warehouse includes firms with up to 250 employees, whereas LEAP includes firms with up to 500 employees, so the base population of the data sources is different. Second, the method of counting entries and exits differs. For example, in a case of two companies merging, LEAP preserves the business number of the larger company and counts it as "continuous," while the smaller business number no longer exists and is labelled as an exit. In the case of the SMEs Data Warehouse, both business numbers would be destroyed (two exits) and a new number would be created for the new business, counted as an entry. Because of these differences between the two data sources, it is difficult to compare statistics derived using the two different methodologies.

[3] See text box for more details.

Small and Medium-Sized Enterprises Data Warehouse

SMEs Data Warehouse was developed by Statistics Canada with the objectives of providing general characteristics and performance indicators of small and medium-sized enterprises and supporting future research on SMEs. The first release of data was in July 2008 on firm entries and exits.

The Data Warehouse contains information on the following: new enterprise entries and exits, business performance (survival rates) and high growth companies (gazelles). These indicators are distributed by revenue, employment size and industry sector, and cover the period from 2001 to 2006.

The Data Warehouse is based on the Statistics Canada Business Register and administrative tax data (incorporated (T2) and unincorporated (T1) tax declaration, GST remittance and payroll deduction accounts (PD7)) from the Canada Revenue Agency (CRA). These data contain a list of small and medium-sized enterprises in Canada from 2001 to 2006, based on the Business Register. The enterprises included are those with fewer than 250 employees and less than $50 million in total revenue. The data also contain information on business entries and exits. If a business is observed to exist in the base year but not in the following year, it is considered to be an "exit" and vice versa for an "entry." Although there may be other reasons why a business cannot be found in either year,* the data give a good overall picture of the turbulence (often called "churn") of new and disappearing businesses.

Results from the SMEs Data Warehouse are an important contribution to the Entrepreneurship Indicators program of the Organisation for Economic Co-operation and Development and Eurostat. The first results from this program on developing indicators of entrepreneurial performance were published in November 2008 and a newer version was published in November 2009. A copy of the report can be found at www.oecd.org/statistics/measuringentrepreneurship.

* Reorganization in a firm may involve name changes, mergers, a division of existing payroll accounts or more. To the greatest extent possible, false signals about deaths and births are deleted from the data. A legitimate firm death can occur in certain merger cases, as a result of an owner's decision to cease operations, because the firm has gone bankrupt or for a number of other reasons. For more on bankruptcies, see ***Bankruptcy statistics***.

How many people work for small businesses?

To best answer this question, it is necessary to look at business establishments as part of the larger enterprise to which they belong, where applicable. Statistics Canada defines a business enterprise as "a family of businesses under common ownership and control for which a set of consolidated financial statements is produced on an annual basis." Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH) covers employer businesses in Canada and reports the number of employees at the enterprise level. Self-employed persons who are not on a payroll are not included in these figures, nor are employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Firms are grouped into seven size categories: those with fewer than 5 employees, from 5 to 19, from 20 to 49, from 50 to 99, from 100 to 299, from 300 to 499, and 500 and more employees.

According to SEPH data, on average in 2009, just over 5.1 million employees on payroll, or 48 percent of the total private sector labour force,[4] worked for small enterprises (those with fewer than 100 employees) as shown in Table 5. More than 1.6 million, or 15 percent, worked for medium-sized enterprises (those with 100 to 499 employees). In total, therefore, SMEs employed just over 6.7 million, or 64 percent, of private sector employees covered by SEPH.

The distribution of employment by size of firm varies considerably across industries. As shown in Table 5 and Figure 4, small businesses account for over two thirds of employment in five industries: the (non-institutional) health care sector (89 percent), other services (75 percent), the construction industry (75 percent), forestry (74 percent), and accommodation and food (66 percent). In three other industries, at least half of the workforce is employed by small businesses. Lastly, in terms of the total number of employees, industries that had the largest number of employees working for small firms were, in order of magnitude, retail trade (0.81 million), accommodation and food (0.70 million), construction (0.59 million), manufacturing (0.54 million), professional services (0.44 million) and wholesale trade (0.39 million). These industries alone accounted for 68 percent of all jobs in small firms in Canada.

[4] Private sector employment in the SEPH data was identified with the aid of *Employment Dynamics* and *Small Business Profiles* data for corresponding years and by projecting trends for more recent years. A technical note on the methodology used in this process is available and can be obtained by contacting **Customer Services** at sbrp-rppe@ic.gc.ca. In addition to the industries excluded from SEPH, data shown in Table 5 and Figure 4 exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Table 5: Number of Private Sector Employees by Industry and Size of Business Enterprise, 2009[1, 2, 3]

Industry (Ranked by number of employees in small businesses)	Size of Business Enterprise (No. of Employees)									Total
	0–4	5–19	20–49	50–99	*Small (<100)*	100–299	300–499	*Medium (100–499)*	Large (500+)	
Retail Trade	110 044	268 743	224 026	185 333	*808 146*	163 848	37 255	*201 103*	853 938	1 863 188
Accommodation and Food	46 474	238 008	247 678	168 726	*700 886*	136 613	39 950	*176 563*	192 639	1 070 088
*Construction	143 153	226 369	142 362	79 983	*591 867*	82 826	21 631	*104 457*	97 886	794 209
*Manufacturing	43 647	154 686	181 309	160 565	*540 207*	256 598	120 116	*376 714*	568 886	1 485 807
Professional Services	137 378	151 414	94 211	60 076	*443 079*	77 740	36 559	*114 299*	187 206	744 584
Wholesale Trade	53 238	139 416	114 129	81 935	*388 718*	106 926	38 578	*145 504*	200 829	735 052
Other Services	100 887	164 180	71 053	41 049	*377 169*	54 688	15 210	*69 898*	58 950	506 018
Administration, Waste Management	50 001	98 564	74 639	60 298	*283 502*	92 180	48 467	*140 647*	298 570	722 718
Health[2]	66 957	95 078	30 413	8 198	*200 645*	1 987	855	*2 842*	22 335	225 823
Transportation and Warehousing[2]	41 536	58 193	44 750	36 334	*180 813*	42 842	18 218	*61 060*	308 192	550 065
Real Estate and Rental	42 618	53 639	32 464	21 603	*150 324*	25 277	11 182	*36 459*	55 768	242 552
Finance and Insurance	29 477	42 360	35 467	30 398	*137 702*	49 706	22 165	*71 871*	461 816	671 389
Arts, Entertainment and Recreation	14 822	37 429	36 295	27 364	*115 910*	33 998	10 026	*44 024*	89 308	249 242
Information and Cultural	10 583	21 423	19 261	16 155	*67 422*	29 916	10 302	*40 218*	212 677	320 316
Management of Companies and Enterprises	12 152	15 344	13 192	9 104	*49 792*	13 383	6 590	*19 973*	47 126	116 891
*Mining	9 126	14 277	10 977	9 505	*43 885*	19 250	11 140	*30 390*	105 766	180 041
*Forestry	7 248	11 216	6 758	3 905	*29 127*	3 331	705	*4 036*	6 212	39 374
*Utilities[2]	104	245	188	298	*836*	2 250	1 357	*3 608*	112 884	117 327
Percent in Service-Producing Sector	75.4	77.9	77.5	75.2	*74.6*	76.4	69.5	*65.6*	68.4	77.0
Percent in Goods-Producing Sector	24.6	22.1	22.5	24.8	*25.4*	23.6	30.5	*34.4*	31.6	23.0
Industry Aggregate Total	919 445	1 810 584	1 379 171	1 000 829	*5 110 030*	1 193 360	450 307	*1 643 667*	3 880 988	10 634 684

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada. Industry data are classified in accordance with the North American Industry Classification System (NAICS).

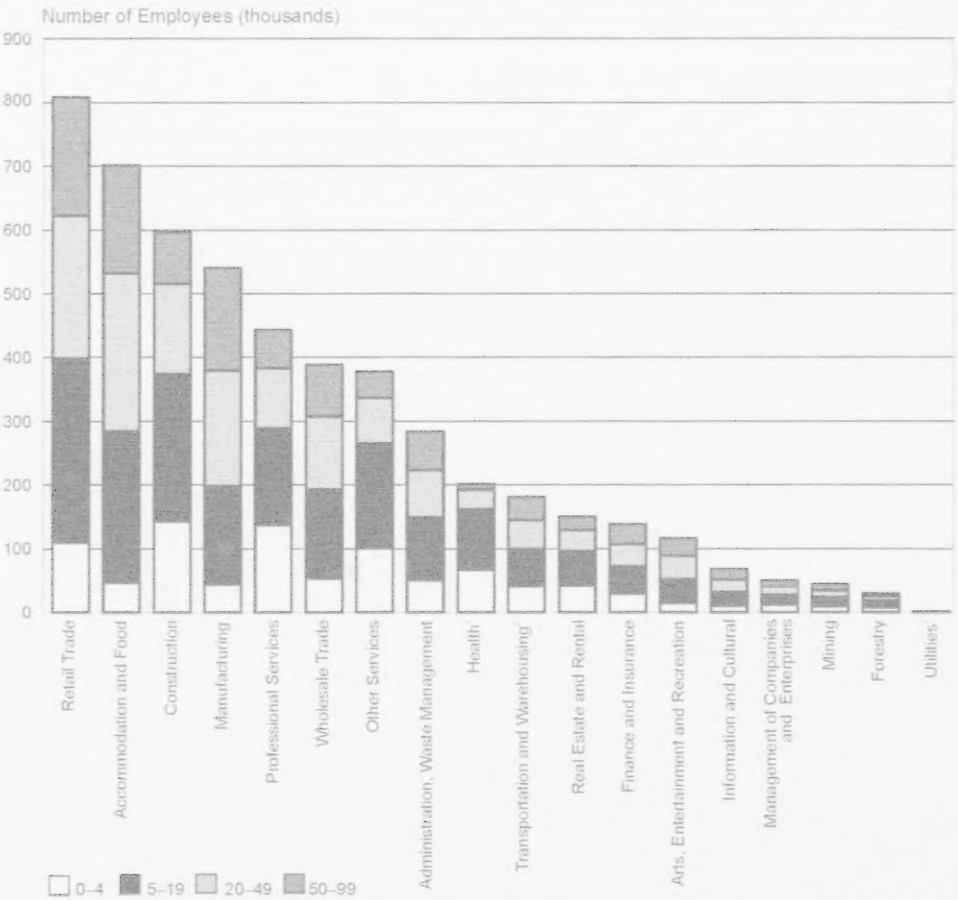
* Industries in the goods-producing sector account for 23.0 percent of total employment in the private sector and 25.4 percent of employment in small businesses.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

Note 2: Besides data excluded from the SEPH, data shown in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. Industry Canada's *Small Business Quarterly* regularly publishes data similar to those in Table 5, but without excluding public sector employment. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 3: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

Figure 4: Number of Private Sector Employees by Industry and Size of Business Enterprise, 2009[1, 2]



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada. Industry data are classified in accordance with the North American Industry Classification System (NAICS).

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

Note 2: Besides data excluded from the SEPH, data shown in this figure also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. Industry Canada's *Small Business Quarterly* regularly publishes data similar to those in Figure 4, but without excluding public sector employment. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

How many jobs do small businesses create?

The data that make it possible to answer this question are derived from Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH), and are regularly published in Industry Canada's *Small Business Quarterly*. SEPH data exclude self-employed workers who are not on a payroll. Other limitations also apply (see **How many people work for small businesses?**). Historical employment data for the period from 1996 to 2000 are reported for only three firm-size categories (small, medium and large), so job creation over these years was estimated for the seven size categories (including four subcategories for small businesses) using ratios to distribute annual employment levels across the size categories. Since 2000, Statistics Canada has been publishing the SEPH data with the seven size categories.

Table 6 and Figure 5 display relative contributions to the net year-over-year change in private sector paid employment by small, medium-sized and large businesses from 1999 to 2009. Over the years, the relative contribution in terms of size varied greatly. During the period under review, each of the business-size categories played the leading role at different times in net job creation in Canada. For five years, from 2000 to 2002 and in 2008 and 2009, small businesses made the greatest contribution to net job creation. On the other hand, large businesses played the leading job-creation role in 1999 and from 2003 to 2007. The year 2003 was very atypical because job creation only occurred in small businesses with fewer than 20 employees and in large businesses, resulting in skewed relative contributions to job creation. Over the 1999 to 2009 period, small firms accounted for 37 percent of all jobs created, on average, in the private sector.

Table 6: Percent Contribution to the Net Change in Private Sector Paid Employment by Size of Business Enterprise (Annual Averages), 1999–2009[1, 2]

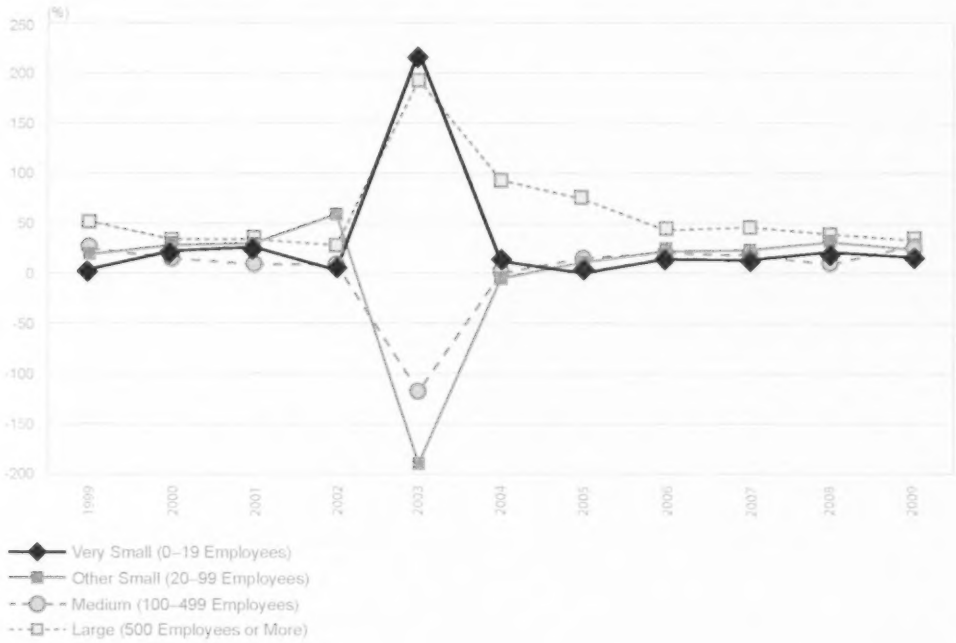
Year	Size of Business — Number of Employees (Percent Contribution)						
	0–4	5–19	20–49	50–99	*Small (<100)*	*Medium (100–499)*	Large (500+)
1999	4	-1	9	11	*23*	*25*	52
2000	4	18	17	11	*50*	*15*	34
2001	16	10	17	13	*57*	*9*	34
2002	-2	5	28	31	*62*	*9*	28
2003	80	142	-5	-185	*32*	*-118*	193
2004	-20	33	-11	5	*7*	*0*	93
2005	9	-9	4	8	*11*	*15*	74
2006	7	7	12	10	*37*	*20*	43
2007	-2	15	14	9	*36*	*18*	46
2008	7	14	16	15	*52*	*9*	39
2009	4	11	9	14	*39*	*27*	33

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada. Historical data are frequently revised and, as of 2000, are available on a North American Industry Classification System (NAICS) basis. Updates for the total economy covered by SEPH are regularly published in Industry Canada's *Small Business Quarterly*.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is a result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Figure 5: Percent Contribution to the Net Change in Private Sector Paid Employment by Size of Business Enterprise, 1999–2009



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada. Historical data are frequently revised and, as of 2000, are available on a North American Industry Classification System (NAICS) basis. Updates for the total economy covered by SEPH are regularly published in Industry Canada's *Small Business Quarterly*.

Table 7 and Figure 6 show year-over-year quarterly changes in paid employment from the third quarter of 2006 to the fourth quarter of 2009 by business size. Jobs were created in the private sector from the third quarter of 2006 to the fourth quarter of 2008 and were lost in every quarter of 2009. In 2007, the rate of job creation reached about 260 000 jobs per quarter. The number of jobs created started declining significantly in 2008 and became negative in 2009. In 2009, the number of jobs lost increased rapidly from 227 000 jobs lost in the first quarter to 470 000 jobs lost by the third quarter. From the last quarter of 2008 to the last quarter of 2009, there was a significant drop in the rate of job creation (from 20 000 jobs created in Q4 2008 to 417 000 jobs lost in Q4 2009). The decrease in GDP growth was a factor in causing job losses throughout 2009 among businesses of all sizes.

Small businesses lost jobs in each year-over-year period between the first quarter of 2009 and the fourth quarter of 2009. Large businesses lost the most jobs in the fourth quarter of 2009, while small businesses lost the most jobs in the three previous quarters.

Job creation among micro-businesses was the most volatile of the seven firm-size categories. Micro-businesses shed jobs in three quarters in 2007, in the last quarter of 2008, and in the first, second and fourth quarter of 2009. This is the only firm-size category in 2009 that was a source of job creation when micro-businesses created about 12 000 jobs in the third quarter of 2009.

Table 7: Year-Over-Year Net Private Sector Paid Employment Change and Percent Contribution by Size of Business Enterprise, Quarterly, 2006 Q3 to 2009 Q4[1, 2, 3]

Year and Quarter	Total Net Change	Net Private Sector Paid Employment Change by Size of Business								
		0–4	5–19	20–49	50–99	*Small (<100)*	100–299	300–499	*Medium (100–499)*	Large (500+)
2006 Q3	274 521	12 128	19 313	31 540	21 656	*84 637*	31 443	21 367	*52 810*	137 076
Q4	294 236	30 303	356	39 696	31 722	*102 077*	31 551	27 422	*58 973*	133 184
2007 Q1	241 416	-12 453	26 864	35 895	18 645	*68 951*	36 044	21 283	*57 327*	115 142
Q2	229 204	-10 598	27 100	33 379	21 808	*71 690*	33 860	8 257	*42 118*	115 402
Q3	297 243	4 620	49 143	39 659	28 966	*122 389*	39 088	9 546	*48 634*	126 227
Q4	270 628	-6 166	52 939	36 520	25 921	*109 213*	32 229	9 684	*41 914*	119 501
2008 Q1	201 454	13 604	37 218	29 842	27 709	*108 373*	7 799	8 110	*15 909*	77 177
Q2	140 196	15 916	27 537	32 128	26 311	*101 892*	5 568	17 076	*22 644*	15 656
Q3	131 530	8 300	3 011	20 904	23 978	*56 194*	-10 844	24 095	*13 252*	62 070
Q4	20 268	-536	10 956	4 483	3 135	*18 039*	-17 031	8 512	*-8 519*	10 750
2009 Q1	-226 908	-16 779	-28 771	-11 494	-33 919	*-90 964*	-52 553	-5 607	*-58 160*	-77 787
Q2	-377 269	-43 998	-28 418	-39 046	-59 374	*-170 836*	-64 372	-39 498	*-103 870*	-102 562
Q3	-469 568	11 772	-73 749	-54 704	-69 339	*-186 021*	-68 527	-52 555	*-121 083*	-162 461
Q4	-417 253	-15 689	-31 375	-28 110	-48 432	*-123 606*	-72 127	-43 082	*-115 209*	-178 438
		% Contribution to Private Sector Employment Change by Size of Business								
2006 Q3	100	4.4	7.0	11.5	7.9	*30.8*	11.5	7.8	*19.2*	49.9
Q4	100	10.3	0.1	13.5	10.8	*34.7*	10.7	9.3	*20.0*	45.3
2007 Q1	100	-5.2	11.1	14.9	7.7	*28.6*	14.9	8.8	*23.7*	47.7
Q2	100	-4.6	11.8	14.6	9.5	*31.3*	14.8	3.6	*18.4*	50.3
Q3	100	1.6	16.5	13.3	9.7	*41.2*	13.2	3.2	*16.4*	42.5
Q4	100	-2.3	19.6	13.5	9.6	*40.4*	11.9	3.6	*15.5*	44.2
2008 Q1	100	6.8	18.5	14.8	13.8	*53.8*	3.9	4.0	*7.9*	38.3
Q2	100	11.4	19.6	22.9	18.8	*72.7*	4.0	12.2	*16.2*	11.2
Q3	100	6.3	2.3	15.9	18.2	*42.7*	-8.2	18.3	*10.1*	47.2
Q4	100	-2.6	54.1	22.1	15.5	*89.0*	-84.0	42.0	*-42.0*	53.0
2009 Q1	100	7.4	12.7	5.1	14.9	*40.1*	23.2	2.5	*25.6*	34.3
Q2	100	11.7	7.5	10.3	15.7	*45.3*	17.1	10.5	*27.5*	27.2
Q3	100	-2.5	15.7	11.6	14.8	*39.6*	14.6	11.2	*25.8*	34.6
Q4	100	3.8	7.5	6.7	11.6	*29.6*	17.3	10.3	*27.6*	42.8

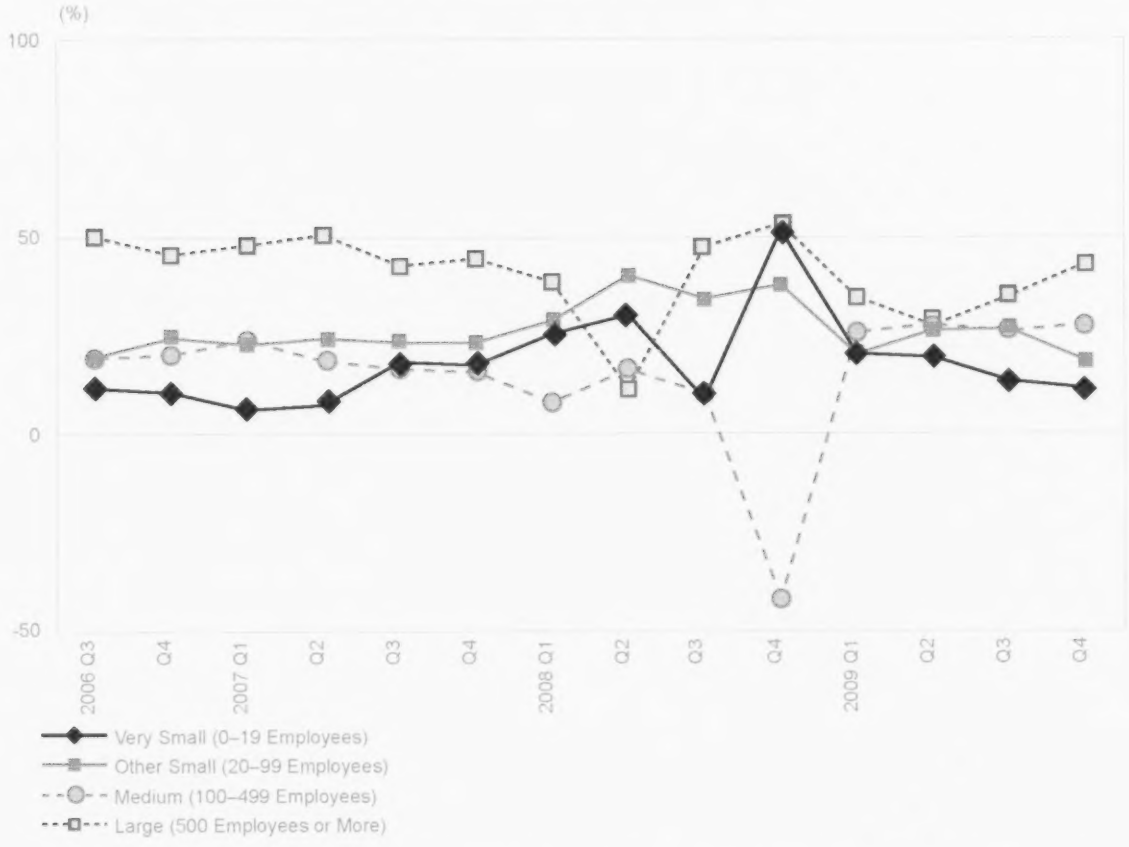
Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is a result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 3: Minor discrepancies between total net employment change and the sum of changes by size are largely due to small differences between aggregate and the sum of disaggregated source data.

Figure 6: Percent Contribution to Year-Over-Year Net Change in Private Sector Employment by Size of Business Enterprise, Quarterly, 2006 Q3 to 2009 Q4[1, 2]



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this figure also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is a result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

How much do employees of small businesses earn?

Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH) publishes average weekly earnings at the enterprise level based on weekly payroll data. Data include gross pay, as well as overtime and bonuses, commissions and other special payments, before major deductions such as income taxes, employment insurance contributions, etc., but exclude taxable allowances and benefits, and employer contributions to employment insurance, pension plans and other welfare plans. Average weekly earnings are derived by dividing total weekly payrolls by payroll employment (see **How many people work for small businesses?**). SEPH excludes self-employed persons not on a payroll and does not cover the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data shown below also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

In 2009, an average worker in Canada's private sector earned approximately $799 per week (Table 8 and Figure 7). Generally, employees' weekly earnings were positively related to the size of the business — employees working for businesses with fewer than 100 employees earned below the average with weekly earnings of $723, whereas those working for medium-sized firms (more than 100 but fewer than 500 employees) and large firms (500 employees or more) earned above the average with weekly earnings of $802 and $874 respectively. In the service-producing sector, micro-firms had the highest weekly earnings of all small businesses at $736. This may be because employment in larger small firms is concentrated in the three lowest-paying industries, namely retail trade; accommodation and food services; and arts, entertainment and recreation.

On average in 2009, employees in the goods-producing sector were paid $326 more per week than those working in the service-producing sector. The difference in earnings between the two sectors was greatest in large firms at approximately $492 per week or an annual average differential of $25 584. However, goods-producing employees also worked longer hours, so the difference in earnings per hour would be less pronounced.

Table 8: Average Weekly Earnings by Firm Size (Number of Employees) in the Private Sector, 2009[1, 2]

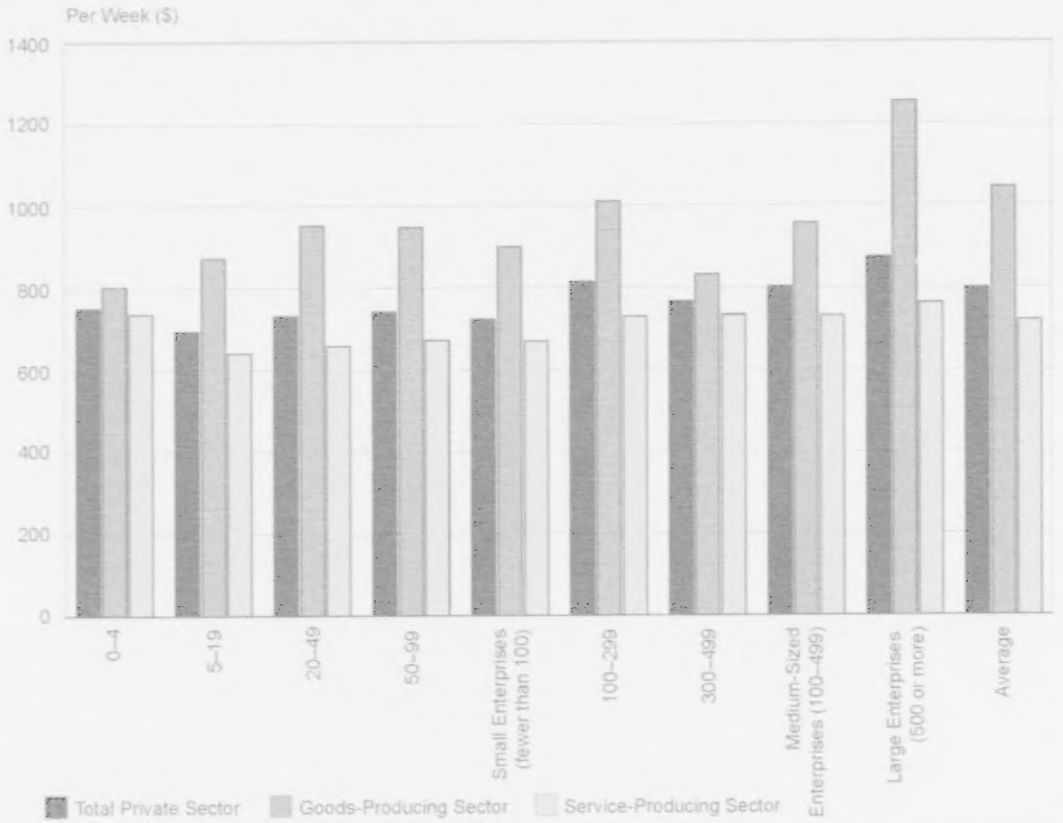
Number of Employees	Private Sector	Goods-Producing Sector[2]	Service-Producing Sector[2]
0–4	$750	$802	$736
5–19	$693	$873	$641
20–49	$731	$952	$659
50–99	$742	$948	$672
Small Enterprises (fewer than 100)	*$723*	*$899*	*$669*
100–299	$815	$1010	$729
300–499	$766	$831	$733
Medium-Sized Enterprises (100–499)	*$802*	*$957*	*$730*
Large Enterprises (500 or more)	*$874*	*$1253*	*$761*
Average	**$799**	**$1045**	**$719**

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

Figure 7: Average Weekly Earnings in the Goods-Producing and Service-Producing Sectors by Firm Size in the Private Sector, 2009[1, 2]



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2010, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this figure also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

What is the contribution of small businesses to Canada's gross domestic product?

Gross domestic product (GDP) is a key measure of economic production that can be used to compare any two industries' value added, i.e., the value that an industry, through its activities, adds to its inputs. The main advantage of the GDP concept is that it avoids double counting; hence, it is considered superior in gauging economic performance over, for example, revenue, business counts or even employment.

GDP data are not available by firm size, but the Government of British Columbia's statistical service (BC Stats) has developed a method to determine the small business contribution to GDP by province using the income-based approach of the System of National Accounts.[5] Table 9 shows the percentage of small business' contribution to GDP for Canada and each province from 2000 to 2008.

BC Stats' definition of small business is restricted to businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees. By this definition, it is estimated that, in 2008, small businesses accounted for approximately 29 percent of Canada's GDP. The percentage varies from a low of 18 percent in Newfoundland and Labrador to a high of 34 percent in British Columbia. Over the 2000 to 2008 period, the contribution of small businesses to GDP increased slightly at the national level from 26 to 29 percent. In the Atlantic provinces (except Prince Edward Island) and in Ontario and Manitoba, the contribution of small businesses has remained fairly constant, while the contribution increased in Quebec, Saskatchewan and Alberta. The largest increase occurred in British Columbia, where the GDP contribution was 28 percent in 2000 and 34 percent in 2008. The GDP contribution decreased most in Prince Edward Island, where it fell from 34 percent in 2000 to 29 percent in 2008.

[5] A background note describing the method in somewhat greater detail is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Table 9: Small Business' Contribution to GDP by Province, 2000 to 2008[1, 2]

Province	Contribution to GDP (Percent)								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Newfoundland and Labrador	20	20	19	18	21	19	19	18	18
Prince Edward Island	34	33	32	29	31	30	30	29	29
Nova Scotia	26	26	26	25	26	25	25	26	25
New Brunswick	23	24	25	23	25	25	24	25	25
Quebec	27	27	27	27	29	30	30	30	31
Ontario	25	25	24	23	24	25	26	26	27
Manitoba	24	24	23	24	25	25	26	26	26
Saskatchewan	26	26	26	24	29	29	30	32	33
Alberta	25	26	28	26	26	27	29	31	31
British Columbia	28	29	28	29	33	33	33	34	34
Canada	26	26	26	25	27	28	28	29	29

Source: British Columbia's Statistical Service.

Note 1: In these data, small businesses comprise businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* reflect changes to the underlying data on which the numbers are based, as well as a refinement of the methodology used to generate the estimates.

Who is self-employed?

Self-employed workers are people who earn income directly from their own business, trade or profession rather than earn a specified salary or wage from an employer. Statistics Canada defines the self-employed as working owners of an unincorporated or incorporated business, persons who work on their own account but do not have a business and persons working without pay in a family business.

How many people are self-employed?

In 2009, there were 2.7 million self-employed workers, representing around 16 percent of all employed workers in the Canadian economy (Table 10). The number of self-employed reached an all-time high of 2.75 million in the fourth quarter of 2009, and decreased slightly by the first quarter of 2010 to 2.67 million. Over the past decade, the number of self-employed workers increased by 11 percent, while the growth rate of the overall labour force was 17 percent. Slightly more than one third of self-employed workers were female — the share of female self-employment rose steadily from 1976 to 1998, from 26 percent to 36 percent, and has remained at around 35 percent since 1999.

Table 11 shows a breakdown of the self-employed in five categories from 1999 to 2009. On average in 2009, of 2.7 million self-employed workers, 68 percent had no paid help, 31 percent worked with paid help and 1 percent were unpaid family workers. Self-employed workers with and without paid help are further categorized according to whether their businesses[6] were incorporated or not. Of those who worked without paid help, 1.3 million or 73 percent were unincorporated in 2009; this category accounted for almost half the total number of self-employed in Canada. In the category with paid help, 72 percent were incorporated. Therefore, the preferred choice of those with paid help is to be incorporated, while those without paid help are mostly unincorporated.

[6] Although the term "incorporated activities" generally refers to businesses, this is not necessarily the case when we speak of "unincorporated activities." According to the definition used by Statistics Canada's *Labour Force Survey*, self-employed workers involved in unincorporated activities are "active owners of a business, farm or unincorporated professional office and independent workers who do not have a business as such (child-care workers, newspaper delivery agents, etc.)."

Table 10: Total Number of Self-Employed Persons (Thousands) by Gender, Yearly and Quarterly, 1999–2010[1, 2]

Year and Quarter	Total Self-Employment	Self-Employment as a Percentage of Total Employment	Male Self-Employed	Percentage of Self-Employed	Female Self-Employed	Percentage of Self-Employed
1999	2433.0	16.9	1582.8	65	850.2	35
2000	2373.7	16.1	1538.7	65	835.1	35
2001	2276.7	15.2	1503.3	66	773.4	34
2002	2314.5	15.1	1499.7	65	814.7	35
2003	2401.8	15.3	1571.1	65	830.7	35
2004	2453.4	15.4	1614.5	66	838.9	34
2005	2511.6	15.5	1645.6	66	866.0	34
2006	2498.0	15.2	1621.4	65	876.6	35
2007	2615.0	15.5	1703.2	65	911.9	35
2008	2629.6	15.4	1719.7	65	909.9	35
2009	2701.7	16.0	1742.3	64	959.4	36
2006 Q1	2508.3	15.6	1640.2	65	868.1	35
Q2	2491.7	15.0	1611.2	65	880.5	35
Q3	2491.8	14.9	1609.2	65	882.6	35
Q4	2500.1	15.1	1625.1	65	875.1	35
2007 Q1	2539.9	15.5	1656.0	65	884.0	35
Q2	2637.2	15.6	1721.6	65	915.5	35
Q3	2651.2	15.5	1719.9	65	931.3	35
Q4	2631.8	15.5	1715.0	65	916.8	35
2008 Q1	2592.6	15.4	1703.4	66	889.2	34
Q2	2622.5	15.2	1705.1	65	917.4	35
Q3	2646.4	15.3	1742.7	66	903.7	34
Q4	2657.0	15.3	1727.7	65	929.4	35
2009 Q1	2632.5	15.9	1710.9	65	921.6	35
Q2	2685.3	15.9	1730.7	64	954.6	36
Q3	2743.0	16.1	1768.3	64	974.7	36
Q4	2746.0	16.3	1759.3	64	986.8	36
2010 Q1	2674.3	16.1	1718.6	64	955.7	36

Source: Statistics Canada, *Labour Force Survey*, April 2010.

Note 1: Figures for men and women may not add up to total due to rounding.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are due to revisions made to data from the *Labour Force Survey*.

Table 11: Average Annual Number of Self-Employed Persons by Category (Thousands), 1999–2009, and Average Annual Growth Rates (Percent), 1979–2009[1]

Year	Total	With Paid Help			Without Paid Help			Unpaid Family Workers
		Total	Incorporated	Unincorporated	Total	Incorporated	Unincorporated	
1999	2433.0	825.5	532.9	292.6	1562.7	276.8	1285.9	44.8
2000	2373.7	815.6	519.8	295.8	1516.5	292.0	1224.5	41.6
2001	2276.7	787.1	495.3	291.8	1457.2	304.2	1153.0	32.4
2002	2314.4	781.1	497.2	283.9	1500.8	323.2	1177.6	32.5
2003	2401.8	796.2	513.1	283.1	1571.6	355.3	1216.3	34.0
2004	2453.5	835.3	559.4	275.9	1588.5	384.6	1203.9	29.7
2005	2511.5	863.8	590.4	273.4	1622.1	400.3	1221.8	25.6
2006	2498.1	847.9	584.9	263.0	1621.9	407.9	1214.0	28.3
2007	2615.0	855.5	594.8	260.7	1734.2	448.7	1285.5	25.3
2008	2629.7	861.3	603.8	257.5	1743.1	469.1	1274.0	25.3
2009	2701.6	850.6	612.2	238.4	1829.6	485.2	1344.4	21.4
Average Annual Growth Rate, 1979–2009								
1979–1989	2.8%	4.1%	5.6%	2.4%	2.9%	7.7%	2.4%	-5.3%
1989–1999	2.8%	0.4%	1.2%	-1.0%	4.8%	8.6%	4.1%	-4.2%
1999–2009	1.0%	0.3%	1.3%	-1.8%	1.4%	5.2%	0.4%	-6.5%
1979–2009	2.3%	1.7%	2.8%	-0.2%	3.2%	7.6%	2.4%	-5.6%

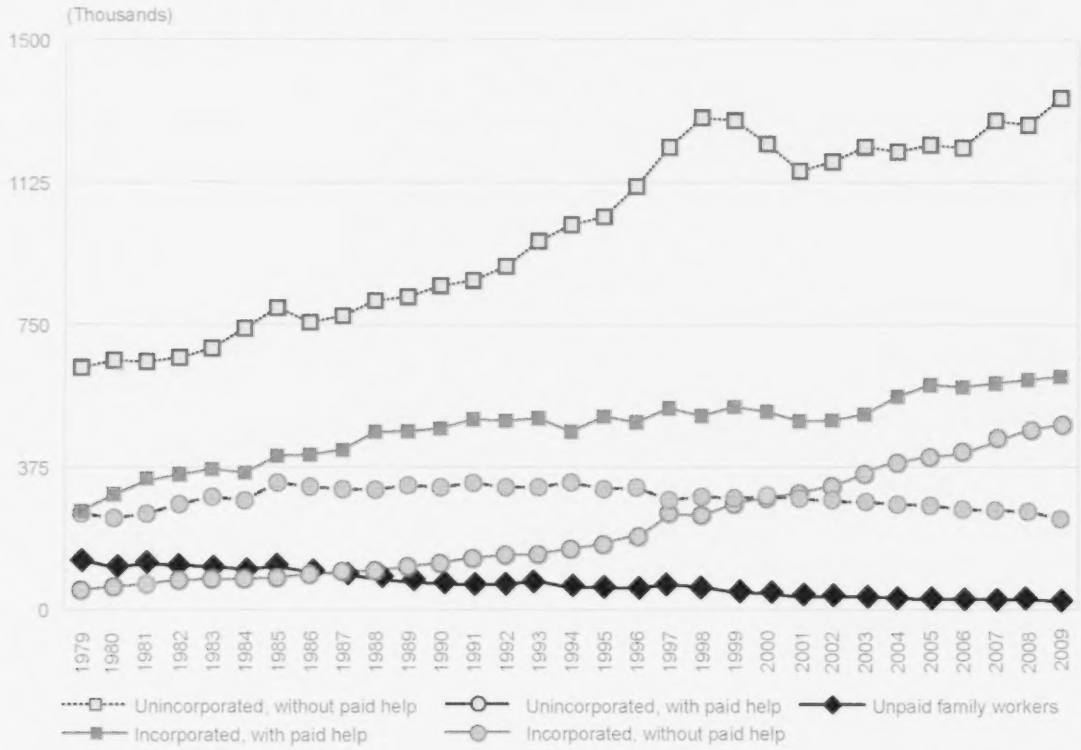
Source: Statistics Canada, *Labour Force Survey*, April 2010.

Note 1: Differences between these data and those published in previous versions of *Key Small Business Statistics* are due to revisions made to data from the *Labour Force Survey*.

The number of self-employed persons with incorporated businesses increased 2.8 percent annually, on average, over the past 10 years (not shown), compared with 1 percent for all self-employed. However, there was a great difference in the pattern of growth between incorporated businesses with paid help and those without. The number of incorporated businesses with paid help grew 1.3 percent annually, on average, between 1999 and 2009. In contrast, the number of incorporated self-employed persons without paid help increased rapidly between 1999 and 2009, at an average annual increase of 5.2 percent.

As shown in Table 11, the total number of self-employed workers in Canada increased at an annual rate of 2.3 percent between 1979 and 2009 but, as shown in Figure 8, the various categories of self-employed workers experienced slightly different growth rates over that period. For example, in the last two decades, there was negative growth in the category of unincorporated self-employed individuals with paid help. The annual average growth over the entire period was -0.2 percent. The highest growth for self-employed workers without paid help occurred over the 1989–1999 period (4.8 percent). For those with paid help, the highest growth occurred during the 1979–1989 period (4.1 percent).

Figure 8: Self-Employed Persons (Thousands) by Category, 1979–2009



Source: Statistics Canada, *Labour Force Survey*, April 2010.

Self-employed workers owning incorporated businesses registered the highest growth rates between 1979 and 2009 — 7.6 percent for businesses without paid employees, followed by incorporated businesses with paid employees at 2.8 percent. A third category also showed a relative increase in importance — 2.4 percent for self-employed workers owning unincorporated businesses with no paid employees.

Two categories experienced growth rates below the 2.3-percent average, which means their relative importance in terms of self-employed workers diminished. These categories were self-employed workers owning unincorporated businesses with paid employees (-0.2 percent) and unpaid family workers (-5.6 percent).

How has self-employment contributed to job creation?

Generally, the increasing trend toward self-employment has supported total employment growth. Positive contributions to total net employment growth in the private sector have ranged from 9 percent to 40 percent per year between 1999 and 2009 (Table 12).[7] The number of self-employed workers fell in 2006, which is only the fourth time this has happened over the 1979–2009 period (Figure 9). The other three years were 1986, 2000 and 2001. In 1982, 1991, 1992 and 2009, self-employment grew, while total employment growth turned negative due to economic recessions. It is interesting to note that the two greatest increases in the number of self-employed persons relative to the overall change in private sector employment occurred at the end of these recessions (in 1983 and 1993) — 167 percent in 1983 and 125 percent in 1993. This is because when job market conditions tighten, people who cannot find suitable employment tend to start their own businesses and become self-employed.

Table 12: Private Sector Total Net Employment Change and Net Self-Employment Change, Year-Over-Year, 1999–2009[1, 2, 3]

Year	Private Sector Total Net Employment Change (thousands)	Private Sector Employees		Self-Employed Persons	
		Net Change (thousands)	Percentage of Total Private Sector Employment Change	Net Change (thousands)	Percentage of Total Private Sector Employment Change
1999	299.8	272.5	91	27.3	9
2000	258.8	318.0	123	-59.2	-23
2001	138.3	235.4	170	-97.1	-70
2002	298.9	261.1	87	37.8	13
2003	315.0	227.6	72	87.3	28
2004	186.2	134.7	72	51.5	28
2005	144.1	85.9	60	58.2	40
2006	240.0	253.6	106	-13.6	-6
2007	297.3	180.2	61	117.1	39
2008	117.7	103.1	88	14.6	12
2009	-264.6	-336.6	-127	72.1	27

Source: Statistics Canada, *Labour Force Survey*, April 2010.

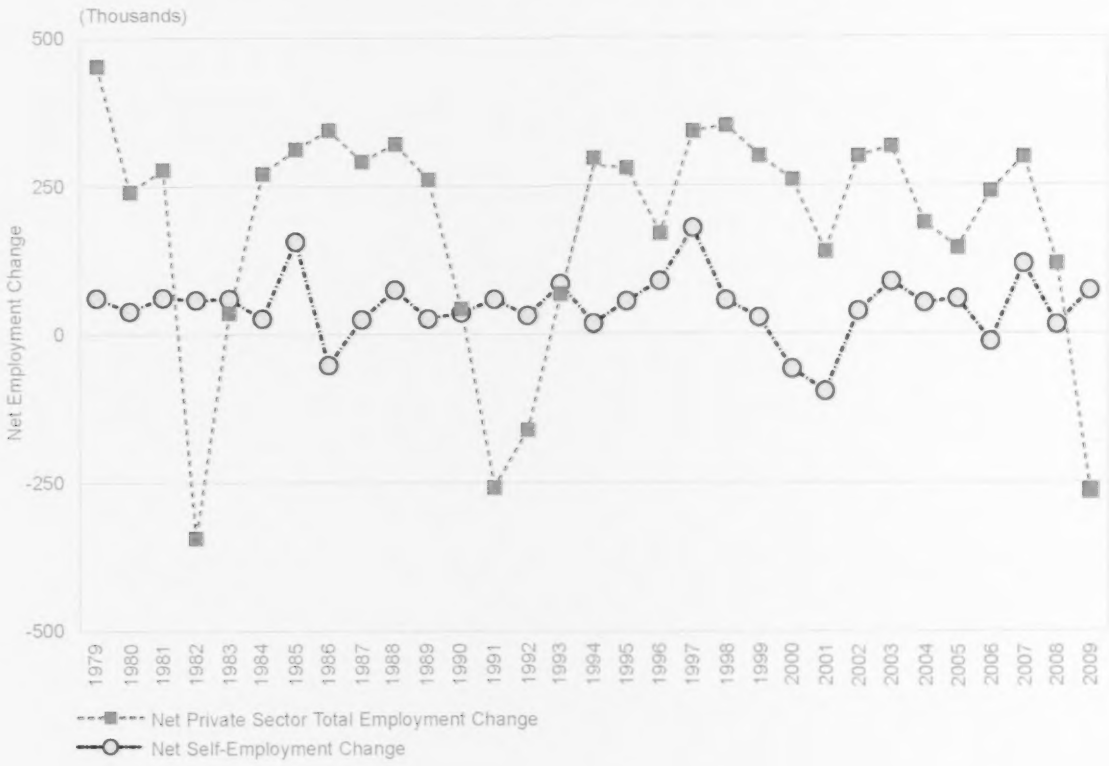
Note 1: (-) indicates a negative contribution to total net employment change.

Note 2: Net change figures may not add up to total net change due to rounding.

Note 3: Differences between these data and those published in previous versions of *Key Small Business Statistics* are due to revisions made to data from the *Labour Force Survey*.

[7] In Table 12, employment in the private sector is defined as the total of self-employed workers and private sector employees, regardless of business size. The definition of private sector employees in the *Labour Force Survey* used in Table 12 is not identical to the definition in the *Survey of Employment, Payrolls and Hours* (SEPH) data in Tables 5 to 7, but the differences are minor.

Figure 9: Private Sector Total Net Employment Change and Net Self-Employment Change, Year-Over-Year (Thousands), 1979–2009



Source: Statistics Canada, *Labour Force Survey*, April 2010.

Do the self-employed work longer hours than employees?

The evidence is strong that the self-employed work longer hours than employees; this has been the case since at least 1989. On average, the self-employed worked 40.1 hours per week in 2009 compared with 35.2 hours for employees. Even more striking is the large difference in those who usually worked over 50 hours per week in 2009 — 32 percent of self-employed persons worked over 50 hours compared with less than 4 percent of employees (Figure 10). Clearly, the self-employed usually work longer hours than employees.

When it comes to working part-time (less than 30 hours per week), the self-employed are very similar to employees — 22.6 percent of the self-employed and 18.5 percent of employees worked part-time in 2009.

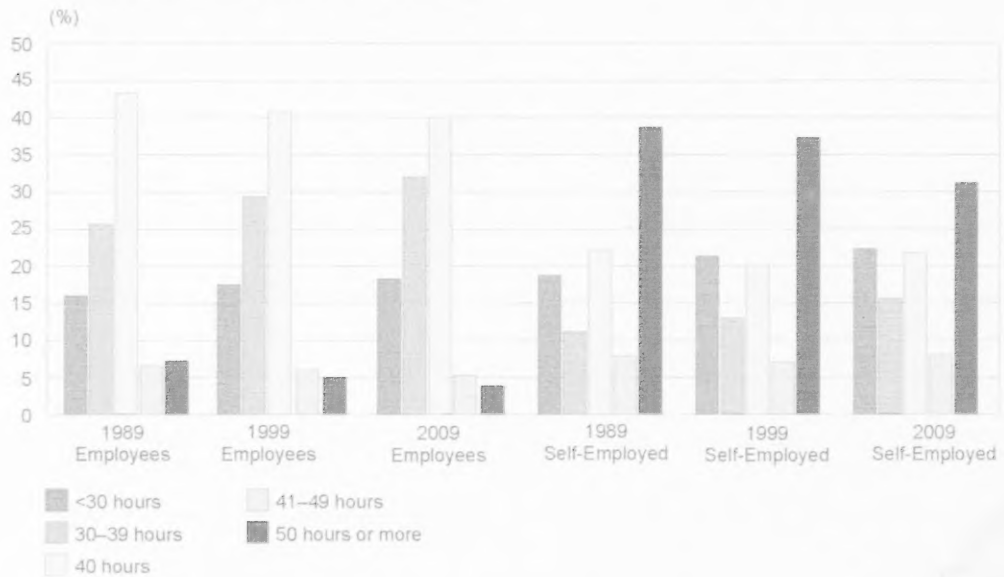
These differences between the self-employed and employees persisted over the 1989–2009 period, although there has been some abatement in the tendency of the self-employed to work over 50 hours per week since 1999. As well, there has been a small change in the proportion of those working part-time, both among the self-employed and among employees.

As shown in Figure 11, there are also major differences between men and women in usual weekly hours worked — men are more likely to work long hours, whereas women are more likely to work part-time. On average, self-employed men worked 43.8 hours per week in 2009 compared with 33.3 hours for self-employed women. Furthermore, 38 percent of self-employed men worked over 50 hours in 2009 compared with 20 percent of self-employed women. The same pattern applies among employees, although at much lower levels — 6.3 percent of male employees worked over 50 hours in 2009 compared with 1.6 percent of female employees.

Females are more likely to work part-time, whether they are self-employed or are employees. Among the self-employed, 37.9 percent of women worked part-time (less than 30 hours) in 2009 compared with 14.2 percent of men. Among employees, 25.4 percent of women worked part-time in 2009 compared with 11.4 percent of men.

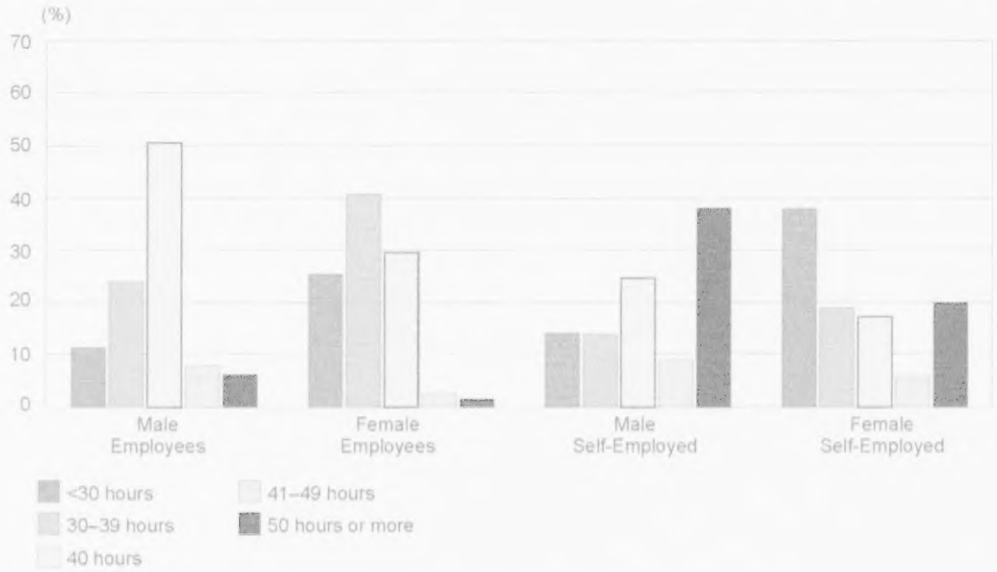
Note: For more information on self-employment, please refer to the January 2009 edition of *Key Small Business Statistics* and the section **What are the characteristics of the self-employed?**

Figure 10: Percentage Distribution of Usual Weekly Hours Worked by Employees and the Self-Employed, 1989, 1999 and 2009



Source: Statistics Canada, *Labour Force Survey*, April 2010.

Figure 11: Percentage Distribution of Usual Weekly Hours Worked by Class of Worker and Gender, 2009



Source: Statistics Canada, *Labour Force Survey*, April 2010.

How many small business entrepreneurs are women?

There is no easy way to precisely determine the number of entrepreneurs in Canada, much less the number of women entrepreneurs. However, it is possible to estimate the number using available data on self-employment and business ownership.

Statistics Canada's *Labour Force Survey* reports there were 910 000 self-employed women in Canada in 2008, accounting for about one third of all self-employed persons. (Although not all of the self-employed would identify themselves as entrepreneurs, the number of self-employed women provides an upper limit for the number of female entrepreneurs.[8]) Between 1998 and 2008, the number of self-employed women grew by 6.4 percent compared with 11-percent growth in male self-employment.

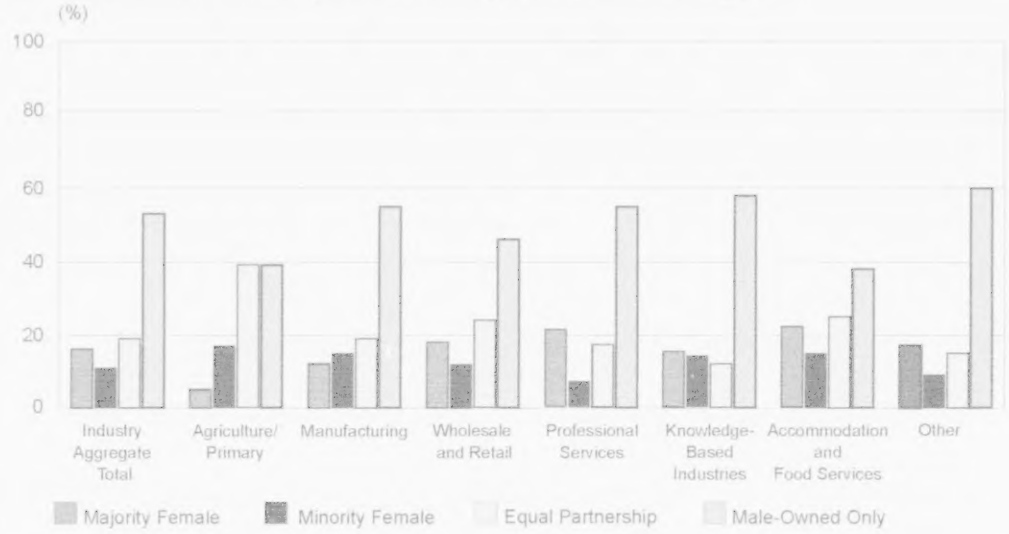
[8] Some entrepreneurs, especially if they are on the payroll of their own businesses, may not identify themselves as being self-employed; however, this number is likely to be smaller than the number of self-employed who are not entrepreneurs.

Another way to count entrepreneurs is through business ownership. Statistics Canada's *Survey on Financing of Small and Medium Enterprises* distinguishes four types of business ownership based on gender: majority female ownership, equal partnership between male and female owners, minority female ownership and no female ownership.

In the 2007 survey, it was estimated that 46 percent of SMEs had some degree of female ownership in 2007. SMEs with equal partnerships between male and female owners accounted for 19 percent, while 16 percent were majority-owned by females. The degree of female ownership varied by industry, but it is clear that the percentage of female-owned businesses lags behind the percentage of majority male-owned businesses in every industry (Figure 12). Accommodation and food services industries have the highest share of businesses that are majority-owned by females, at 22 percent, whereas SMEs in agriculture and primary industries have the lowest level, with only 5 percent of businesses majority-owned by females.

The survey showed that SMEs majority-owned by women were less likely than other SMEs to employ more than 20 employees and also started up more recently than firms that are majority-owned by men. Women owners of SMEs also tended to have fewer years of experience in the industries in which they operated compared with their male counterparts.

Figure 12: Business Ownership Distribution by Gender and Industry, 2007



Source: Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2007.

Do small businesses innovate as much as large firms?

In a world with limited resources, the fastest way to boost productivity and economic growth is to innovate. Innovation is often thought to be synonymous with high technology inventions, but innovative behaviour also encompasses many more ways of turning creative ideas into innovations. The government's May 2007 science and technology report, *Mobilizing Science and Technology to Canada's Advantage*, explains that Canadian "firms large and small are bringing innovations into our lives, whether in the form of new technologies to address environmental problems, new products to make our homes, schools, and businesses more comfortable and energy efficient, or new therapies to improve the health and well-being of Canadians."[9]

One indicator of innovative behaviour is the amount of research and development (R&D) expenditures a firm undertakes. R&D is not necessarily easy to measure, especially in the context of small businesses. However, certain data can be obtained either through surveys or from tax records of firms that claim tax credits for R&D expenditures. Statistics on Scientific Research and Experimental Development tax credits reveal two telling facts about innovation by small businesses — in absolute amounts, they spend far less than large firms; however, as a percentage of revenue (R&D intensity), spending on innovation by small businesses far outstrips that of larger firms.

In 2005, according to Statistics Canada, over 19 000 firms spent more than $15 billion on R&D as shown in Table 13. Of total R&D spending, 25 percent came from some 16 886 firms with fewer than 100 employees, or an average of $0.23 million per small business. There were 514 large firms that accounted for 57 percent of total R&D expenditures, an average of $17.6 million per firm. However, the proportion of R&D expenditure as a percentage of company revenue generally decreased as the firm size increased.

[9] Government of Canada, *Mobilizing Science and Technology to Canada's Advantage*, May 2007, p. 9.

Table 13: Scientific Research and Experimental Development Expenditures by Business Size (Number of Employees), 2005[1, 2]

Number of Employees	Number of Companies	R&D Expenditures ($ millions)	Average Expenditure per Company ($ millions)	Percentage of Performing Company Revenues
Non-commercial	19	186	9.8	X
1–49	14 997	2 706	0.2	5.0
50–99	1 889	1 279	0.7	X
Small (1–99)	*16 886*	*3 984*	*0.2*	X
100–199	1 013	1 260	1.2	4.0
200–499	655	1 322	2.0	2.0
500–999	223	1 458	6.5	2.0
1 000–1 999	154	2 043	13.3	2.0
2 000–4 999	89	2 568	28.8	2.0
≥5 000	48	2 969	61.8	1.0
Total	19 087	15 791	0.8	X

Source: Statistics Canada, *Industrial Research and Development — Intentions 2007, special calculations*

Note 1: For firms funding or performing less than $1 million in R&D and applying for a tax credit under the Scientific Research and Experimental Development program, the data are derived from administrative data of the Canada Revenue Agency. For firms spending more than $1 million, the data are obtained from a mail-out survey of all firms.

Note 2: Data that are confidential are denoted by X.

More information about innovative behaviour, but only among manufacturing firms, can be found in Statistics Canada's Survey of Innovation 2005.[10] When looking at innovative manufacturing single establishments (a subsample representing about two thirds of all firms surveyed), it is observed that 36 percent of those are establishments that were the first to introduce a product or process innovation[11] in Canada, North America or the world.

Table 14 analyses the subsample of innovative firms and compares "first-to-market" innovators and adopters, by firm size, by distribution of firms producing product innovations, process innovations or both. While 65.3 percent of small-firm innovators undertook process innovation, such firms were principally product innovators. Only 3.5 percent of small-firm innovators focused solely on process innovations.

[10] The Survey of Innovation 2005 surveyed manufacturing and logging industries for the reference period 2002–2004. The definition of innovation, based on the Oslo manual (OECD/EUROSTAT, 1997), was the introduction of new or improved products or processes. Only firms with more than 20 employees and at least $250 000 in annual gross business revenues were included in the survey.

[11] Product innovation refers to the introduction of new or significantly improved goods or services, while process innovation includes the introduction of new or significantly improved methods of manufacturing or producing goods or services, logistics, delivery or distribution methods for inputs and supporting activities for processes, such as maintenance systems or operations for purchasing, accounting or computing.

Table 14: Innovators versus Adopters, by Innovation Type and by Firm Size[1, 2, 3]

Innovation Type	Small Firms		Medium-Sized Firms		Large Firms	
	Innovators	Adopters	Innovators	Adopters	Innovators	Adopters
Percentage of Product Innovators (A)	96.5	61.9	92.9	64.7	93.2	63.6
Percentage of Process Innovators (B)	65.3	76.2	76.6	82.0	79.3	83.2
Percentage of Both Product and Process Innovators (C)	61.8	38.1	69.5	46.7	72.6	46.9
Percentage of Product Innovators Only (A-C)	34.7	23.8	23.4	18.0	20.7	16.8
Percentage of Process Innovators Only (B-C)	3.5	38.1	7.1	35.3	6.8	36.4

Source: Statistics Canada, Survey of Innovation, 2005

Note 1: The difference between innovators and adopters is statistically significant at the 95 percent confidence level. Statistical comparison of firm-size innovators cannot be generated from the table.

Note 2: Innovators are defined as those firms that were the first to introduce new or significantly improved products (goods and services) or processes in Canada, North America or the world. Adopters are those firms that did not introduce such a first (product or process) to the market.

Note 3: Small firms here are defined as those with 20–49 employees, medium-sized firms as those with 50–99 employees and large firms as those with 100 employees or more.

The data in Table 14 show statistically significant differences (see note below table) between firm innovators and adopters, by firm size. These findings suggest that innovators, regardless of firm size, were more likely to pursue product innovation.

On the other hand, adopter firms — those that were not the first to introduce new or significantly improved products or processes in Canada, North America or the world — were more likely to engage in process innovations. This was true across all firm sizes. A greater percentage (76.2 percent) of small-firm adopters engaged in process innovation compared with 65.3 percent of small-firm innovators, suggesting that small-firm adopters were more likely to focus on increasing productivity, by identifying more efficient manufacturing processes, than expanding their market share through product innovation. The same observations can be seen with medium-sized and large firms.

How many small businesses use e-business?

Engaging in electronic business (e-business) is defined as leveraging "the Internet for providing or sharing information, or for delivering services, and/or realizing some or all of its revenues from Internet-based transactions and/or the manufacture and sale of Internet-related products or services."[12] In addition to online purchases and transactions (referred to as e-commerce), e-business includes portfolio management, business planning, and Internet- or intranet-based communication between a business and its clients, suppliers and other partners.

Embracing e-business can offer many benefits to a firm, regardless of its size. Using the Internet as a business tool can improve coordination within the production process, improve communication with suppliers and customers, optimize supply sources and increase a firm's presence in the marketplace. However, the extent to which firms use e-business, and for what purposes, varies considerably depending on a firm's size.

Data on e-business are available from a variety of sources, which often do not agree. The reason for the discrepancies is that e-business survey results are very sensitive to sample selection and timing. The most reliable source of data on e-business is Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT),[13] which covers more than 21 000 firms. It defines small firms as having fewer than 20 employees, medium-sized firms as having between 20 and 99 employees (499 for manufacturing) and large firms as having 100 employees or more (500 or more for manufacturing). Table 15 is based on this survey.

Having an Internet connection does not necessarily mean a business is embracing e-business, although being connected may serve as an indicator for the use of e-business because it is a minimum requirement for participation in almost any form of e-business. Although the rate of small firms connected to the Internet is increasing, they continue to lag behind medium-sized and large firms in terms of both connection rates and the ways in which the Internet is put to use in the business. The overall rate of firms connected to the Internet was 87 percent in 2007, but small firms (85 percent) lagged well behind medium-sized and large firms (95 percent and 99 percent respectively). However, small firms have been closing the gap in connection rates between themselves and medium-sized and large firms in this respect in recent years.

Website ownership rates also increase with firm size. More than twice as many medium-sized (74 percent) and large (90 percent) firms owned websites compared with small firms

---

[12] *Fast Forward — Accelerating Canada's Leadership in the Internet Economy*. Report of the Canadian E-Business Opportunities Roundtable, January 2000, p.11.

[13] The minimum level of revenue required to be included in Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT) varies depending on the industry but ranges from $150 000 to $250 000 per year. Businesses with no full-time employees but that meet the minimum revenue criterion were included in the survey. Those without full-time employees included self-employed persons without paid help, seasonal businesses and virtual firms.

(36 percent) in 2007. Over the past seven years, the proportion of firms that own a website has increased across all sizes of firms.

As firm size increases, there is clearly a higher percentage of firms that buy and sell online. Although the proportion of firms selling online has changed very little since 2001, the proportion of small and medium-sized firms that purchase online has doubled. For instance, in 2007, only 7 percent of small firms sold online, whereas 45 percent purchased online; for medium-sized firms, 13 percent sold and 69 percent purchased online; and for large firms, 22 percent sold and 74 percent purchased online. This likely reflects higher costs associated with setting up operations to sell online compared with the low costs of purchasing online.

Small firms that operate in service industries generally have more e-commerce activity than those operating in goods-producing industries. However, small firms have less activity related to e-commerce than medium-sized and large firms across all industries.

Table 15: Internet Access and Use by Firm Size (Percent), 2001–2007

		2001	2002	2003	2004	2005	2006	2007
		Percent						
Internet Access	Small	68	73	76	79	79	81	85
	Medium	91	92	94	96	96	96	95
	Large	94	99	97	99	98	99	99
	All Firms	71	76	78	82	82	83	87
Own Website	Small	24	27	29	32	33	35	36
	Medium	57	62	66	69	70	71	74
	Large	74	77	77	79	82	89	90
	All Firms	29	32	34	37	38	40	41
Sell Online	Small	6	7	6	7	6	7	7
	Medium	12	13	14	12	10	12	13
	Large	15	16	16	13	16	21	22
	All Firms	7	8	7	7	7	8	8
Purchase Online	Small	20	29	35	40	40	42	45
	Medium	30	47	50	59	63	64	69
	Large	52	57	61	62	68	71	74
	All Firms	22	32	37	43	43	45	48

Source: Statistics Canada, *Survey of Electronic Commerce and Technology* (SECT), 2008.

Note: Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT), on which these data are based, defines small firms as having fewer than 20 employees, medium-sized firms as having between 20 and 99 employees, and large firms as having 100 employees or more for all industries except manufacturing. The upper limit for the medium-sized category in the manufacturing industry is 499 employees, whereas firms with 500 employees or more are defined as large.

What is the contribution of small businesses to Canada's exports?

Exporting is vital to Canada's economy and has accounted for close to 40 percent of GDP in recent years, with the exception of 2009. In 2009, exports accounted for 30 percent of GDP, which could be explained by the global recession and the high value of the Canadian dollar. Exports can be a driver of economic growth and are strongly correlated with real GDP growth. Furthermore, exporting can provide a strategically important means of growing a firm by expanding its market beyond the confines of Canada's relatively small domestic market.

Table 16 shows the distribution of the value of exports by industry and by size of firm in 2008. In 2008, the total value of exports by Canadian enterprises was approximately $415 billion. About 85 percent of Canadian exporters were small businesses. More importantly, small businesses were responsible for $83 billion (20 percent) of the total value of exports in 2008, with an average value of $2 million per firm. Medium-sized businesses accounted for $60 billion (14 percent) of the total value of exports in 2008, with an average value of $8.8 million per firm. Large businesses accounted for $257 billion (62 percent) of the total value of exports, with an average value of $188.7 million per firm (see Note 2 of Table 16).

The proportion of small businesses that export is lower than the proportion of small businesses in the overall economy. Only 5 percent of small businesses export, whereas 34.0 percent of medium-sized businesses and 69 percent of large businesses export.

Small businesses contributed only 11 percent to total manufacturing exports compared with 70 percent from large firms. In many other industries, however, small businesses made the largest contribution to exports. The largest contributions were in retail trade (85.5 percent), wholesale trade (70.8 percent), and finance and insurance (68.9 percent).

Table 16: Distribution of Total Value of Exports by Industry and by Size of Business (Number of Employees), 2008[1]

Industry Grouping (NAICS)	Employer Businesses				
		Size of Business Enterprise - Number of Employees (Percent of Total)			
	Total Value ($ millions)	Total (all business sizes)[2]	Small (<100)	Medium (100–499)	Large (500+)
Agriculture, Forestry, Fishing and Hunting	3 811	0.9	63.6	11.0	25.4
Mining, Oil and Gas Extraction/Utilities	62 571	15.1	4.5	8.6	83.8
Construction	1 138	0.3	76.0	19.6	4.3
Manufacturing	224 740	54.2	11.3	19.9	68.8
Wholesale Trade	40 552	9.8	70.8	13.0	16.3
Retail Trade	2 034	0.5	85.5	3.0	11.5
Transportation and Warehousing	36 427	8.8	X	X	66.1
Information and Cultural Industries	519	0.1	49.5	43.0	7.5
Finance and Insurance	17 312	4.2	68.9	5.2	25.9
Business Services	22 922	5.5	37.8	8.1	54.2
Other	2 526	0.6	51.6	14.0	34.4
Industry Aggregate Total	414 551	100	20.3	14.3	62.0
	Total Number of Firms	Total	Small (<100)	Medium (100–499)	Large (500+)
All Industry Exports	48 699		85.0%	9.0%	2.8%

Source: Statistics Canada, Exporter Register, 2008.

Note 1: Data that are confidential are denoted by X.

Note 2: Certain row totals do not add up to 100 due to confidentiality.

Small exporters

Small firms (those with less than 100 employees) are not necessarily small exporters (exporting less than $1 million per year). Equating small exporters with small businesses understates the contribution of small business to total exports. As shown in Table 17, small firms represent about 73 percent of those with exports of $1 million or more. Furthermore, 7.7 percent of medium-sized and large firms are small exporters. This confirms some previous findings from Industry Canada's research on exports suggesting that small businesses make a more significant contribution to exports (in terms of the number of exporting firms and the value of exports) than indicated by using a definition of small exporters.[14]

Table 17: Small Business Exporters and Small Exporters, Percentage of Enterprises, by Firm Size (Number of Employees), 2008

	Firm Size (No. of Employees)		
	<100	100–199	200+
Export Value Less than $1 Million	92.3	4.4	3.3
Export Value $1 Million and Greater	72.8	14.0	13.2
All Exporters	87.2	6.9	5.9

Source: Statistics Canada, Exporter Register, 2008, Industry Canada calculations.

[14] Halabisky, David, Lee Byron and Chris Parsley, *Small Business Exporters: A Canadian Profile*, Industry Canada, August 2005.